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Chairman: Mr. Chowdhury ..... (Bangladesh)

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The meeting was called to order at 10.10 a.m.

Agenda item 91: Macroeconomic policy questions

(a) International trade and development (A/58/15 (Part I-V), A/58/154, 204, 301 and 414 and A/C.2/58/9)

(g) Commodities (A/58/204 and 401)

1. **The Chairman** invited the President of the General Assembly to address the Committee under agenda item 91 (g), in accordance with General Assembly resolution 58/2, on the outcome of the Open-Ended Panel on Commodities, which had been held on 27 October 2003.

2. **Mr. Hunte** (Saint Lucia), President of the General Assembly, said that the report of the Meeting of Eminent Persons on Commodity Issues (A/58/401) and the report of the Trade and Development Board on its fiftieth session (A/58/15 (Part V)) had provided valuable inputs into the deliberations of the Open-Ended Panel; and in his introductory remarks at the meeting the Chairman of the Second Committee had underscored the link between those deliberations and item 91 (g).

3. The Meeting of Eminent Persons had made 15 recommendations for the short-, medium- and long-terms and five top-priority recommendations, set out in paragraph 5 of the report. The discussion had shown that the commodities issue was both an old and a new one. The Open-Ended Panel had emphasized the "old" dependence of many developing countries on a few commodities and the major impact of the performance of commodities markets on their economic situation. It was critically important to make an increased effort to solve problems associated with commodities markets: improved competitiveness and better participation in global supply chains was the key.

4. Eight "new" elements had been identified. Firstly, commodities and sustainable development: a new regime for commodity-dependent countries was essential to sustainable development. Secondly, commodities and the Millennium Development Goals: attainment of the Goals would remain a challenge because of the overdependence of some countries on a single export commodity. Thirdly, commodities and reduction of market participants: the commodity markets of most developing countries had seen a significant reduction of participants, with a consequent strengthening of the position of multinational corporations. Fourthly, commodities and heavily indebted poor countries (HIPC): the HIPC Debt Initiative was crucially dependent on accurate forecasts of national revenues from commodity exports. Fifthly, commodities and WTO: the Doha work programme contained only one paragraph on commodities, and the Ministerial Conference in Cancún had discussed only one explicit commodity item — cotton. Sixthly, commodities and vulnerabilities: the Economic and Social Council was grappling with the definition of vulnerabilities, one key component of which might be vulnerability to structural realities in commodity markets. Seventhly, commodities and small island developing States: the dependence of many such States on a single export commodity was a crucial factor. And eighthly, newer commodities: "commodities" could now include industrial products and services, such as computer chips and commodity service providers.

5. The Open-Ended Panel had also indicated new ways in which intergovernmental cooperation could help to meet the challenges, noting that developing countries could not on their own solve problems arising from global market imperfections, and that viable solutions required action by individual countries and joint action by consumers and producers. Suggestions for future action included the involvement of a range of international organizations: WTO should resume the Doha negotiations and give special attention to cotton and other commodities; IMF should address the connection between structural adjustment programmes and commodities; UNCTAD should examine the need to enhance capacity-building initiatives and the interrelationship between national development and the global market, and establish new multi-stakeholder partnerships; implementation of the Millennium Development Goals should cover commodity-dependence matters; and a commodity focus should be incorporated into the work being done under the United Nations Global Compact with individual commodity companies and their trade associations.

6. The Open-Ended Panel had stressed that more resources must be allocated to the work on commodities and that the visibility of the issue must be enhanced. Implementation of a comprehensive programme of action by all parties was critical in that regard. It was now up to the Second Committee to try

to translate the Panel's conclusions into a resolution which could be implemented.

7. **Mr. Ricupero** (Secretary-General of the United Nations Conference on Trade and Development), introducing the report of the Secretary-General on international trade and development (A/58/414) and the note by the Secretary-General transmitting the report of the Meeting of Independent Eminent Persons on Commodity Issues (A/58/401), said that trade flows between developed and developing countries were becoming increasingly significant, with consequent enhancement of the role of developing countries in world trade and sustainable economic development. That was evident in the increasing resistance of the Asian economy to outside shocks, even though several Asian countries were benefiting from the import demand in some developed countries. Asia had sound macroeconomic fundamentals and had strengthened trade within the continent, with China becoming a major market for imports from other Asian countries and an engine of Asian growth. However, there were still problems connected with the lack of coherence between the global trading system and the monetary and financial system; the trading system alone could not solve the problems of the economic system.

8. The important lesson to be drawn was that of the growing interdependence between developed and developing countries. In 2001 the developing countries had relied on the markets of the developed countries for about 57 per cent of their exports while at the same time accounting for 48 per cent of Japanese exports and about 43 per cent of exports from the United States. The High-level Conference on South/South Cooperation to be held in Marrakech in December would be very important in that connection. The multilateral trading system was needed by the developing countries as a shelter but, in view of the system's purported "deeper integration" into other areas, it affected crucial development-policy choices as well. The engagement of the developing countries in regional and bilateral trading arrangements did not reduce the importance of the multilateral system to them; it had no substitute if there was to be real convergence towards an open and non-discriminatory system.

9. The developed countries also needed the multilateral trading system in many different ways. Even if the developing countries did not exist, the system, and in particular its dispute settlement machinery, would still be necessary for the developed countries. It was only within the multilateral system that industrial countries could have successfully pursued important objectives such as, for example, agreement on the trade-related aspects of industrial property rights (TRIPS).

10. Whatever the frustration felt by members of WTO at the insufficient progress of the Doha work programme, all reasonable action must still be taken to uphold the multilateral trading system. Doha had been a milestone in the system's evolution: for the first time since the 1970s a specific pledge had been made to put development at the heart of things and to play fair by the disadvantaged participants in world trade. All countries had a common interest in the programme's success. That was what made the stakes in the negotiations so high.

11. A successful outcome was certainly in the interest of the developed countries. While demand growth was likely to level off in some of them, the developing countries constituted a vast reservoir of untapped demand which could give exponential impetus to the growth of international trade. But that would require significant investments by the international community to build a critical development mass in the developing countries. That was the focus as UNCTAD prepared for its next Conference: trade negotiations and supply constraints must be addressed hand in hand. If implemented, the Doha work programme would put in place the elements needed to achieve the non-discriminatory multilateral trading system called for in the Millennium Declaration.

12. Given that everyone had much to lose if the work programme failed it would be prudent to treat the outcome of the Fifth WTO Ministerial Conference not as a destination missed but as an opportunity for taking stock of the facts. He highlighted the need to address supply constraints and to provide firm assistance to developing countries in diversifying their productive capacities. He was convinced that the reluctance of a number of countries to fully engage in negotiations stemmed from the fact that they were aware that they were not competitive, with no prospect of changing the situation in the short term, and therefore could not see how trade negotiations could resolve their predicament.

13. Finally, he said that UNCTAD was committed to the multilateral trading system, and that through its research and policy analysis, intergovernmental

consensus-building, technical assistance and capacity development activities it sought to play a complementary role with respect to the Doha work programme.

14. **Mr. Sha** Zukang (President of the fiftieth session of the Trade and Development Board), referring briefly to the report of the Trade and Development Board on its thirtieth executive session (A/58/15 (Part I)), said that the Board had focused on identifying key elements for improving the current approach to poverty reduction in the least developed countries (LDCs). In particular, it had recognized that the LDCs, with the support of the development partners, needed to consider the general policy orientations recommended in the Least Developed Countries Report 2002, and had underscored the importance of international support for national efforts aimed at improving supply capabilities and rationalizing supply.

15. Introducing the Report of the Trade and Development Board on its fiftieth session (A/58/15 (Part V)), he said the Board had discussed the implications of the current situation in the world economy and the short-term outlook. Under agenda item 3, it had considered the activities undertaken by UNCTAD in favour of LDCs, and the expected impact of recent initiatives in the area of preferential market access. In discussing economic development in Africa, the Board had noted that the region's share in international trade had fallen to only 2 per cent in the past 20 years. It had further considered the factors responsible for the downturn and had requested the UNCTAD secretariat to identify the potential for further expansion of intraregional trade. It had concluded that efforts taken under the New Partnership for Africa's Development (NEPAD) needed to be complemented by improvements in the application of the Heavily Indebted Poor Countries (HIPC) Initiative, and the supply of additional resources to bridge the investment gap.

16. It had also reviewed the developments and issues in the post-Doha work programme, including the outcome of the Fifth WTO Ministerial Conference, as contained in document TD/B/50/8. Delegations had agreed that, while there was no better alternative than the multilateral trading system for promoting the objectives set out in the Millennium Declaration, trade and trade negotiations should not divert attention from urgent development problems.

17. The Board had taken note of the Report of the Eminent Persons on Commodity Issues (A/58/401) and had transmitted it to the General Assembly for its consideration, had adopted a decision containing the new technical cooperation strategy of UNCTAD and had taken note of a report by the UNCTAD secretariat which examined the impact of the last three years of deterioration on the war-torn Palestinian economy.

18. In connection with the preparatory process for the eleventh session of the Conference on Trade and Development, the Board had established an open-ended Preparatory Committee. The latter had already held its first meeting and consultations were now taking place within regional groups in preparation for the brainstorming session that would begin on 7 November. During the preparatory process and the Conference itself, there would be a series of parallel events, including a civil society forum, in order to allow civil society to express its views.

19. **Mr. Chowdhury** (Under-Secretary-General and High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States) said that the developments taking place in the international trade regime were crucial for least developed countries, landlocked developing countries and small island developing States. What had transpired at the Fifth Ministerial Conference of the World Trade Organization (WTO) in Cancún need not be seen as the end of the road. A positive development in Cancún had been the emergence of a number of issue-based alliances and coalitions among developing countries. Another positive development had been the activism of civil society, parliamentarians and the media, both in the North and the South, which had added a new dimension to the course of multilateral trade negotiations. Attention should also be given to the comprehensive set of agreement-specific proposals submitted by developing countries, including the African Group and the least developed countries, to strengthen and operationalize special and differential treatment.

20. In the process to restart the Doha Round of trade negotiations, there should be explicit recognition of the social, economic and political dimensions of the question of granting special and differential treatment to the most vulnerable countries. Market access was also important to the least developed countries. His Office lauded the Everything but Arms (EBA) initiative of the European Union and the African

Growth and Opportunity Act of the United States (AGOA). The time frame for AGOA needed to be increased to give the programme greater stability and certainty. Japan's efforts to provide market access to nearly all products of least developed countries also deserved recognition.

21. The factors affecting the ability of the LDCs to take full advantage of the market access preferences given by the Quad countries (Canada, the European Union, Japan and the United States), included not only lack of inherent domestic capacities in the LDCs, but also the non-tariff barriers, stringent sanitary and phytosanitary standards, complex rules of origin and domestic subsidies granted by developed countries to their own producers.

22. Another area of serious concern to his Office was the question of transit facilities and transport infrastructure as they related to the trade and development of the landlocked developing countries. The recently adopted Almaty Programme of Action addressed those issues in a practical and direct way. The joint position taken by the landlocked developing countries in Cancún had made considerable impact in raising the issue of market access for their products.

23. When it came to the small island developing States (SIDS), their international trade and development prospects confronted truly formidable hurdles. Special and differential treatment for such countries, especially as it related to preferential market access for their products, was vital for them.

24. For the most vulnerable countries, transparency and increased participation in decision-making processes was imperative. The accession of Cambodia and Nepal to WTO, the first two least developed countries to do so, was an important step towards the universality of the organization. For other least developed countries in the accession process, the faithful implementation of the decision on guidelines for their access was called for.

25. The issue of commodities was at the core of trade and development of the most vulnerable groups of countries. The negative impact of the collapse of commodity prices on the Heavily Indebted Poor Countries (HIPC) initiative and on the diversification efforts in the LDCs deserved close attention. In that connection, he would like to express his great disappointment at the fact that the report of the meeting of Eminent Persons on Commodity Issues (A/58/401) did not reflect at all the problems faced by the least developed countries, landlocked developing countries and small island developing States. It would be of interest to those countries and to his Office to know why that was so. The glaring omission should be rectified. In exploring the possibilities for a new partnership between Governments, private business, producers' and traders' associations, civil society and international organizations in the commodity area UNCTAD should give special attention to the situation in such countries.

26. He commended UNCTAD on the follow-up deliberations undertaken by the Trade and Development Board on the heels of the Fifth WTO Ministerial Conference on issues confronting the LDCs. The Doha work programme must now be pursued with greater vigour. The Common Fund for Commodities should be provided with increased resources to enable it to expand its very useful support to the most vulnerable countries.

27. The eleventh conference of the United Nations Conference on Trade and Development (UNCTAD XI) would provide an important opportunity to address the issues of trade and development. The LDCs, LLDCs and SIDS needed to prepare well so as to push their agendas forward at that meeting. The Conference should look seriously into concrete measures for expansion of South-South trade opportunities to provide markets to the products of those countries. Confidence in the multilateral trading system could be reinforced provided that the concerns and needs of the LDCs, LLDCs and SIDS were duly addressed.

28. **Mr. Kinniburgh** (Director, Development Policy and Planning Office, Department of Economic and Social Affairs), introducing the report of the Secretary-General on unilateral economic measures as a means of political and economic coercion against developing countries (A/58/301), said that it contained the replies of Member States to a note verbale from the Secretary-General requesting their views on the question. Most States had expressed the view that the application of such measures was inconsistent with various facets of international law and other aspects of international cooperation and some Governments had provided specific instances of the application of such measures against them and had described the adverse impact on their economies.

29. **Mr. Benmellouk** (Morocco), speaking on behalf of the Group of 77 and China, said that the failure of the Cancún Ministerial Conference was evidence of the need for a balanced multilateral trading system that took into account the interests of all countries. The developed countries must assume their share of the responsibility for the resumption of multilateral negotiations in WTO. They could not continue pressing for trade liberalization in the South if at the same time they refused to open up their markets to the developing countries. The scandalous situation with respect to cotton showed that the policies of the developed countries were incompatible with the commitments they had undertaken at a number of United Nations conferences, including Monterrey and Johannesburg. Developing countries whose economies depended on one or two export products found themselves caught in a vicious circle that could undermine their development efforts; they lost earnings because they could not increase their exports and consequently were unable to increase their imports or pay their debts. The entire world economy was affected by the subsidies and protectionism of the developed countries.

30. The failure could be attributed to a variety of factors including non-compliance with deadlines for the Doha work programme, absence of any serious consideration of development questions, failure to address the implementation of the Marrakech Agreements, lack of progress in agriculture negotiations and lack of consensus on special and differential treatment. The reluctance of the developed countries to fulfil their commitment to focus on the interests of developing countries was jeopardizing the multilateral trading system.

31. It was important to evaluate the outcome of Cancún. All members of WTO must redouble their efforts to overcome their differences and work to strengthen the multilateral trading system. The international community must build on whatever progress it had made to date, particularly with regard to the declaration on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and public health, modalities of special treatment for the least developed countries in negotiations on services and the adoption of guidelines for the accession of LDCs to WTO. The primary objective must be to achieve a balanced outcome in each sector so as to take into account the interests of all countries.

32. The success of the post-Cancún negotiations would hinge largely on the ability of member countries to infuse with content the concept of development adopted in Doha. That would require, among other things, finding a rapid solution to the problems and difficulties in implementing some of the Marrakech Agreements, as agreed in Doha; completing a review of rules for special and differentiated treatment; speeding up negotiations on agriculture in order to improve access to markets and eliminate all forms of export subsidies and domestic agricultural support. It would also require implementing fully the agreement on textiles and clothing; reducing and eliminating tariff peaks; considering the consistency and concordance of monetary, financial, commercial and technological policies in support of development; providing specific technical assistance to developing countries in order to bolster their production and export capacities and compensate them for the erosion of trade preferences; taking a hard look at all aspects of basic commodities as part of the negotiations, while taking into account the work done by UNCTAD in that area as well as the report of Eminent Persons; and addressing in an effective manner the Cotton Initiative proposed by some African countries.

33. Turning to the issue of commodities, he noted that more than 30 developing countries, including several least developed countries, depended on a single commodity for most of their hard currency export earnings. In that regard, he lamented the decline in commodity prices, which was compounding other problems. That decline stemmed essentially from a structurally induced glut in commodities grown in the North, where agriculture was heavily subsidized. That situation benefited 3 per cent of the population of the countries of the Organisation for Economic Cooperation and Development (OECD) and the multinationals of developed countries in the commodity processing sector, but had serious adverse effects on the millions of small growers of the South whose incomes depended on those commodities. Better management of the commodities sector, on which three quarters of the rural population depended, was therefore the key to poverty eradication.

34. It was vital to support any and all initiatives that could improve the situation of commodity exporting countries. Such initiatives could include a considerable reduction in the subsidies of developed countries; enhanced market access for the exports of developing

countries; financial and technical assistance for efforts at diversification; and support for projects aimed at improving the quality and marketing of commodities. WTO could not continue to ignore the commodities sector. Lastly, he expressed concern at the fact that most of the developed countries had decided not to participate in the debate at the current meeting. Their refusal to take part in the debate and the interactive dialogue was indeed cause for serious concern, since the Group of 77 and China viewed the strengthening of the role of the United Nations in the economic arena as a priority.

35. **Mr. Kittikhoun** (Lao People's Democratic Republic), speaking on behalf of the Group of Landlocked Developing Countries, said that the Almaty Programme of Action had, inter alia, devised an approach to assist landlocked developing countries with issues of trade by simplifying and standardizing trade and customs norms and procedures. The current WTO negotiations on market access for agricultural and non-agricultural goods should give special attention to products originating in such countries. The recent WTO meeting in Cancún had given the landlocked developing countries an opportunity to form a common position on trade negotiations on the basis of the Almaty Programme of Action. Indeed, the ministers of 29 landlocked developing countries had issued a five-point joint communiqué drawing attention to their special needs.

36. Noting that the priorities of landlocked developing countries were trade facilitation and preferential market access for their products, he called for closer cooperation with the international community, particularly WTO members. The Group of Landlocked Developing Countries hoped that the WTO negotiations would be resumed as soon as possible. The rhetoric of trade as an engine for development would never amount to much without an open, fair, rules-based and equitable international trading regime. UNCTAD and WTO should play a greater role in making market access preference work for trade in order to ensure that trade resulted in poverty reduction. The Group of Landlocked Developing Countries appreciated the technical cooperation activities proposed by UNCTAD for such countries and hoped that UNCTAD would continue to be provided with adequate resources so that it could carry out its work programme.

37. **Mr. Huang** Xueqi (China) expressed concern at the rise in international protectionism, increasing tensions among major countries in the area of trade and the setback at Cancún, which had further exacerbated the situation with respect to multilateral trade negotiations. Non-tariff barriers and high agricultural subsidies were among the main reasons for the considerable imbalances in multilateral trade that had widened, rather than narrowed, the gap between the North and the South. The multilateral trading system had played a vital role in the phenomenal growth in the value of global trade yet the majority of developing countries were not reaping the full benefits of trade, essentially because provisions regarding preferential and differentiated treatment of exports from developing countries had not been implemented effectively. Agriculture should be the core issue for the new round of trade negotiations and developed countries that paid high agricultural subsidies to their farmers should undertake to gradually eliminate such subsidies. China, for its part, had eliminated export subsidies for many products since joining WTO.

38. In the new round of negotiations, special consideration must be given to the new members whose Governments and fragile industries were under tremendous pressure to restructure. It was imperative to establish a fairer and more equitable international economic order that took into account the interests of the majority of countries. The international community should learn from the failure of the Cancún meeting, and should approach trade from the perspective of development, promote efforts to eliminate distortions and unfairness in the multilateral trading system and further open up markets so as to promote the healthy development of the multilateral trading system.

39. **Mr. Nebenzia** (Russian Federation) said that, while his delegation was deeply concerned by the setback at Cancún, it did not see it as an insurmountable crisis. There was no possible alternative to WTO. The poor progress achieved during the Doha Round had merely proved that the international trading system was still far from perfect and that the existing rules needed to be improved to guarantee stable, predictable and non-discriminatory access for the goods and services of all countries, including countries with economies in transition, that were negotiating accession to WTO. Gradual removal of trade barriers and protectionism was essential to economic and social development. For example, anti-

dumping regulations against Russian exports had cost the Russian economy $2.5 billion a year. External trade accounted for one third of his country's gross domestic product and the Russian customs zone constituted one seventh of the total customs zones of the rest of the world. Thus accession of the Russian Federation to WTO could strengthen that organization for the benefit of all its members.

40. Accession to WTO continued to be a major priority for the Russian Federation and within the next few months domestic laws would be brought into line with WTO requirements. His country had already lowered customs duties and given preferential treatment to imports from many developing countries, particularly least developed countries. His delegation welcomed the introduction of a comparative preferential trade scheme for least developed countries, as called for by the Millennium Summit.

41. The leaders of Belarus, Kazakhstan, Ukraine and his own country had just signed documents concerning the establishment of a common Economic Space which was designed, among other things, to better coordinate efforts during the process of accession to WTO. While welcoming the ongoing integration process in Europe, his delegation opposed the creation of new dividing lines as a result of the accession of his country's western neighbours to the European Union. That related primarily to life support for the Kaliningrad region of the Russian Federation, which would also like due attention to be paid to the possible impact of the further expansion of the European Union on historical trade and economic relations between the Russian Federation and those countries acceding to the European Union. In view of what had happened when the European Union had expanded in 1995, his country had every reason to be cautious. He therefore called for a substantive and constructive dialogue with the European Union on the complex range of issues involved in its further expansion.

42. **Mr. Akram** (Pakistan) said that there was a growing divergence between the WTO belief in the marketplace and reciprocal liberalization and the reality of unequal globalization, leading to the increasing marginalization of developing countries, which could not compete in the unequal and brutal game of international trade. It was regrettable that the Doha Round of trade negotiations had focussed on liberalization in areas of primary interest to the developed countries, while neglecting the objectives and views of developing countries.

43. Outlining four steps which might help to spark a resumption of the Doha Round, he said that first, there was a need to identify objectives which would make Doha a "Development Round". They included genuine resolution of outstanding implementation issues; a commitment to eliminate tariff peaks and tariff escalation against developing country exports; development-oriented discipline on anti-dumping actions; and promotion of specific development commitments in the areas of trade and debt, finance and trade, and the transfer of technology. Secondly, consideration could be given to a "down payment" for developing countries in order to build confidence in the Doha Round. It could include a moratorium on dumping and other measures against low-income developing countries as well as a positive response to the African Cotton Initiative. Thirdly, there could be a visible commitment to capacity-building in developing countries in order to enhance their ability to expand exports and trade as a means of promoting development. Such a commitment could be manifested by the establishment of a capacity-building fund of at least $100 million to be executed jointly by WTO, UNCTAD, the United Nations Development Programme (UNDP) and the World Bank. Fourthly, the international community must agree on a more transparent and democratic decision-making process in WTO. For example, draft decisions should emanate from WTO members, not Chairpersons, and should be openly negotiated.

44. Other issues which needed to be urgently addressed included the continuing volatility and decline of commodity prices; the review and adjustment of current policies on debt and finance from the perspective of their impact on trade expansion and development in the developing countries; and poverty alleviation through trade. In the latter case, directed measures were required to utilize trade to achieve the Millennium Development Goals. Work in that regard should be conducted jointly by the Bretton Woods institutions, UNCTAD and UNDP.

The meeting rose at 1.10 p.m.